

MINUTES
STATE BUILDING COMMISSION MEETING
EXECUTIVE SUBCOMMITTEE
JUNE 30, 2004

The State Building Commission Executive Subcommittee met this day at 1:30 p.m. in Executive Conference Room, Ground Floor, State Capitol, Nashville, Tennessee.

STATE BUILDING COMMISSION SUB-COMMITTEE MEMBERS PRESENT

Dave Goetz, Commissioner, Department of Finance and Administration
John Morgan, Comptroller of the Treasury
Riley Darnell, Secretary of State
Dale Sims, State Treasurer

OTHERS PRESENT

Mike Fitts, State Architect
Larry Kirk, Department of Finance and Administration
Karen Hale, Comptroller's Office
Charles Garrett, Department of Finance and Administration
Gloria Rittenberry, Department of Finance and Administration
Bob King, Department of Finance and Administration
Janie Porter, Attorney General's Office
Genie Whitesell, Attorney General's Office
George Brummett, Department of Finance and Administration
Jan Sylvis, Department of Finance and Administration
Commissioner Gina Lodge, Department of Human Services
Bob Bumbalough, Department of Human Services
Carl Brown, Department of Human Services
Pat Haas, Bond Finance
Larry Lance, Department of Environment and Conservation
Annette Crutchfield, Legislative Budget

Commissioner Goetz called the meeting to order at 1:40 p.m. and requested action on the following matters as presented by State Architect Michael A. Fitts.

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DEPARTMENT OF HUMAN SERVICES

REPORT ITEM

Report regarding Negotiated Lease Agreements with Waiver of Advertisement for three (3) Family Assistance Service Centers located in McKenzie, Clarksville, and Morristown, Tennessee. Previous approval on May 27, 2004, Executive Sub-committee, delegated final approval to the Commissioner of Finance and Administration with a report to the Sub-committee.

SC Action: 6-30-04. Charles Garrett thanked the Committee for making time available on the calendar for the meeting. Mr. Garrett presented a report on lease negotiations for the Service Centers. He summarized the selection criteria and the lease terms and conditions of the West, Middle, and East Tennessee locations. He advised that each lease is a 10-year lease with no cancellation during the first five years and 180 days notice thereafter. Commissioner Lodge thanked Commissioner Goetz and his staff for all the hard work that went into the project. Sub-committee received the report and no action is required.

DEPARTMENT OF HUMAN SERVICES

LEASE AGREEMENT

Review of a request for APPROVAL of the following LEASE AGREEMENT for the rental of real property as required by TCA 12-2-115:

Location: **Davidson County – 200 Athens Way, Nashville, TN – Trans. No. 04-05-912 (BK)**

Purpose: To provide office and related space for the Department's Division of Disability Determination Services (DDS)

Term: September 1, 2004 thru August 31, 2014 (10 Yrs.)

Proposed Amount: 133.365 Square Feet
Annual Contract Rent
Incl. Utility & Janitorial Cost: \$2,133,707.00 @\$16.00
Total Annual Effective Cost: \$2,133,707.00 @\$16.00

Current Amount: None

Type: New Lease – Advertisement – Lowest Conforming of (3) Proposals from (2) Proposers

FRF Rate: \$18.00 Per Square Foot

Purchase Option: None

Lessor: US Real Estate Limited Partnership

Comment: The proposed lease provides (1) Lessor shall complete build-out and interior tenant improvements at no additional cost to the State, (2) 500 parking spaces, and (3) no cancellation during the first five years of the lease except for cause and/or funding and a one-time termination provision upon 180 days notice at the end of the fifth year.

SC Action: 6-30-04. Charles Garrett summarized the transaction. He stated the Lessor will complete renovation to the space as needed by the design team. Carl Brown, Assistant Commissioner, stated the agency is very pleased with the transaction and that the program is 100 percent federally funded. Sub-committee approved the request as presented. Final action.

DEPARTMENT OF ENVIRONMENT & CONSERVATION

LEASE AGREEMENT

Review of a request for APPROVAL of the following LEASE AGREEMENT for the rental of real property as required by TCA 12-2-115:

Location: **Davidson County – 401 Church Street, Nashville, TN – Trans. No. 03-09-909 (BK)**

Purpose: To provide office and related space for Administration and Central Office operations.

Term: January 1, 2005 thru December 31, 2014 (10 yrs.)

Proposed Amount: 177,706 Square Feet
Avg. Ann. Contract Rent
Incl. Utility & Janitorial Cost: \$2,884,667.70 @\$16.23/sf
Avg. Annual Effective Cost: \$2,884,667.70 @\$16.23/sf

Current Amount: 165,074 Square Feet
Avg. Ann. Contract Rent
Incl. Utility & Janitorial Cost: \$2,129,454.60 @\$12.90/sf
Annual Operating Cost: \$ 365,160.00 @\$ 2.21/sf
Tavg. Annual Effective Cost: \$2,494,614.60 @\$15.11/sf

Type: New Lease – Advertisement – Only Conforming Proposal from (1) Proposer

FRF Rate: \$18.00 Per Square Foot

Purchase Option: None – Multi-tenant

Lessor: L C Tower, LLC, Current Lessor

Comment: The proposed lease provides (1) annual rental adjustments during the entire lease term, (2) no cancellation during the first five years except for cause and/or lack of funding and 180 days notice thereafter, and (3) Lessor will perform tenant alterations at no additional cost to the State.

SC Action: 6-30-04. Charles Garrett summarized the transaction. He advised the Lessor will complete considerable renovations and improvements to the space and that the lease will provide the opportunity to downsize during the first five years of the lease. Secretary Darnell asked about the area of advertisement. Mr. Garrett stated the boundary area was discussed at length with the agency and the Central Business District (CBD) area was agreed upon. He stated the agency interfaces with a number of other state agencies, Finance and Administration, the Legislature, and others located in the area. He stated he talked with several developers and had several inquiries but only one proposal was received. Commissioner Goetz requested that those who inquired be contacted in an effort to determine why no proposal was submitted.

Department of Environment and Conservation – continued:

Comptroller Morgan stated there is a long history of why this agency remains in the downtown area. Discussion continued and centered around the state constructing a facility for this agency on state property. Secretary Darnell stated that ownership is always the better option for the State. After discussion, Charles Garrett stated Finance & Administration will revisit the Nashville Housing Plan and submit a recommendation.

Secretary Sims made the motion to approve the request as presented, seconded by Secretary Darnell, and the request was approved without objection.

Approved by: _____
M. D. Goetz, Jr., Commissioner
Department of Finance and Administration